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Ordering en verdeling, besluitvorming over sociaal- economisch beleid in Nederland 1949-1958

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SUMMARY

Regulation and Distribution

The Making of Socio-Economic Policy in The Netherlands 1949-1958

The research topic is the making of socio-economic policy in the Netherlands during the period 1949-1958. The making of this policy is studied as an interplay of forces, the outcome of which is determined by cabinets, political parties, social partners and other special interest organizations, and by advisory or official bodies like the Social and Economic Council (SER), the Labour Foundation (SvdA), the Central Planning Bureau (CPB), and the Bank of the Netherlands (DNB). Drawing up a particular policy these agents may be influenced by external developments which also determine the scope for political decision-making.

The area of research has been arranged as follows. In socio-economic policy a distinction is drawn between policy objectives and policy instruments. As our starting point we take the socio-economic policy objectives formulated in the early nineteen-fifties by the Social and Economic Council. These objectives were: maximization of national income and a growth of that income per head of the population; maintaining full employment; maintaining at least an equilibrium on the balance of payments and, if possible, create a surplus; maintaining a strong competitive position of Dutch trade and industry on the world market. Moreover, the Council argued for a more satisfactory distribution of national income and greater price stability. This policy pursues cyclical and structural policy goals. In order to realize the cyclical policy objectives, the following policy instruments are employed most frequently: budgetary and fiscal policy, monetary policy and, especially in case of overspending, wage and price policies. In order to attain the structural policy goals, the following policy instruments are most frequently employed: wage policy and, in a certain sense also, price policy, tax and subsidization policy (in particular the tax and subsidization systems), promoting international integration and market regulation. The discussion about cyclical and structural policy is dominated by two themes. The first of these is the regulation issue: Is the production

process to be controlled by private initiative or should it be government regulated? The second theme is the distribution issue: Which income groups should benefit from a redistribution of income. In the political arena, where priorities are set with respect to the objectives and where decisions are taken about the employment of policy instruments, different institutions, bodies, organizations and parties operate: the main bodies are the cabinet and parliament, that is to say the second chamber. In order to keep the number of documents for study within reasonable limits, the decision-making process of the first chamber - during which, in general, few if any substantial contributions to government policy are made - has been excluded from examination. Attention has been devoted to the party political collaboration in the coalition cabinets under Drees which were in power from 1948 up till and including 1958, and to the connection between these cabinets on the one hand and the governing and opposition parties on the other. Also the developments within these parties have been discussed in detail, as well as the developments resulting from internal conflicts and those initiated by the theoretical groundwork done by scientific bureaus. The second main group in the political spectrum comprises the special interest organizations of employers (including farmers, market-gardners and shopkeepers) and employees who, via several channels, have an important say in the decision-making about and the composition of the socio-economic policy. Some of these groups are provided by the framework of institutions, the so-called 'quality seats' of the second chamber parties, and the Social and Economic Council. Via the latter platform, the social partners, together with the government-appointed members, advise cabinets on a large variety of subjects. The extent to which this advice influences the cabinet and the parties in their political decision-making process has been studied in greater detail. Similar research has been done into the influence of the Central Planning Bureau and the Bank of the Netherlands. Finally, external conditions have been studied and their influence on the situation in the Netherlands, and in particular on political relations and political decision-making. Of these external conditions, developments abroad have been especially signifi-

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cant. Firstly, the end of the forties saw the gradual emergence of the East and West blocs and the subsequent economic and military cooperation as part of the Atlantic alliance. At the same time a general awareness manifests itself that with its open-market system the Dutch economy is dependent for its growth and prosperity on developments abroad. The Netherlands are, therefore, particularly interested in razing existing barriers in international trade and international payments. As was indicated above, the making of a socio-economic policy in this study is seen as an interplay of forces, the outcome of which is determined by cabinets, political parties, special interest organizations and advisory bodies. In their considerations, these agents are in a greater or less degree influenced by developments abroad. Due to the multitude and the variety of subjects the area of research is vast. Further definitions, therefore, are required to arrive at a manageable research framework. For that reason, this study has been concerned with the three basic questions below.

1. Do the agents in the political arena believe in the necessity of macro-economic adjustment policies by the government, during periods of disequilibrium. Or do they, on the contrary, believe that the economy is a self-regulating process? A third possibility is the view that the economic process demands for detailed planning and immediate intervention. These questions make up the regulation issue.
2. Do the agents in the political field accept the principle of income redistribution by means of taxation, social security policy and other specific income-policy measures? Who should benefit from the distribution of income: the capital owners, the self-employed entrepreneurs, or those dependent on wages and allowances. These questions make up the distribution issue. Our study of these regulation and distribution issues has been focussed by the following question:
3. Do the opinions of the most important agents in the political arena of the nineteen-fifties converge on regulation and distribution issues, or do their views increasingly diverge?

It is assumed that there is a connection between this convergence and divergence on the one hand and the various types of co-opera-

tion between political parties on the other. The most important of these were the broad-base cabinets of which the Catholics (KVP) and the social-democrats (PvdA) formed the nucleus. This assumed connection between views on regulation and distribution issues and political co-operation forms the basis of the questions dealt with in this study and which have been defined as follows:

To what extent do the phenomena of convergence and divergence on regulation and distribution issues provide an explanation for the success and failure of the PvdA-KVP coalition. How could the coalition of PvdA and KVP between 1948 and 1958 endure for such a long time. Why did the coalition come to an end in 1958?

The most important conclusions arrived at in this study may be summarized in terms of the convergence and divergence thesis. The basic factor constituting the government collaboration between KVP and PvdA during most of the nineteen-fifties was the convergence of these parties' views on macro-economic planning. As appeared during the balance of payment crises of 1951 and 1956 in particular, there was consensus of opinion about which objectives of the macro-socio-economic policy to pursue with the aid of the cyclical and structural policy instruments. These instruments were developed to a certain degree, under the influence of Keynesian thought. Convergence also manifested itself in the two parties' ideas about the possibility in principle of the redistribution of income by means of taxation, social security policy and other specific income policy measures. But one source of continual tension between both coalition partners were their diverging views on the redistribution of income. The KVP, supported by the faction of Protestant-Christians and the liberals, held the view that the income differences between the lowest-paid and the middle-groups should increase, whereas the PvdA, together with the Netherlands Socialist Trade Union Federation, pursued a redistribution policy precisely aimed at leveling these differences. Twice the coalition avoided a fatal escalation on this issue because a balance of payment crisis and the subsequent restriction of expenditures demanded everyone's attention. During those periods, characterized among others by increased tension

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between East and West, the income distribution issue was placed second to the modification of the budget and the balance of payments. During the second round of expenditure restrictions in 1956 all important parties, including the Protestant-Christians and the liberals, actively supported this policy. When expenditure restrictions were first imposed, however, that active support had come mainly from the PvdA and KVP. In the early nineteen-fifties, during the first expenditure restrictions, the Protestant-Christians and the liberals had not as yet come to accept the application of newly developed anticyclical instruments of monetary and fiscal policy. Rather, they were guided by the classical-liberal view that government control of the economic process should be limited to a minimum. In addition they believed that a balance between government earnings and expenditures ought to be pursued. During the period between 1952 and 1956 the Protestant-Christians and the liberals (under the influence of Keynesian thought which was rapidly gaining territory) began to accept the possibility in principle of broad planning. Thus, their views increasingly converged with those of the Catholics and the social-democrats.

This reorientation on the part of the Protestant-Christians and the liberals created new coalition opportunities for the KVP. From now on the KVP could conduct the socio-economic policy it desired to meet the requirements of the times, not only with the PvdA, but also with the ARP, CHU and VVD. The formation of a centre-right coalition became the more obvious choice from the moment the KVP, pitching its income distribution demands higher, increasingly opposed itself to the PvdA. After the Mandate of 1954, the KVP could propagate the acquisition of individual property as one of the ways to realize its ideal of becoming a unity party for all Catholics and the greatest political party in the country. The Protestant-Christians and the liberals were its ideal allies. Together they opposed the PvdA policy - actively supported by the Netherlands Socialist Trade Union Federation - of government controlled wage determination which serves to maintain the equalization of incomes achieved in the past. The KVP, supported by the ARP, CHU and VVD, conceived of income policy as a means of increasing the dif-

ferences between the incomes of the middle-groups and those of the lowest-paid. Hence its endeavour to conduct a differentiated income policy and its propagation by means of tax facilities of the acquisition of individual property. In so far as it was a consciously devised strategy, it was successful. During the provincial states elections and the municipal elections of 1958, the KVP became the largest party. For cyclical and distribution policy purposes, the party increasingly formed occasional coalitions with the Protestant-Christian and the liberals. The PvdA became isolated and finally its ministers declined the honour of pitting themselves against an unwilling majority of denominational parties and the liberals in the second chamber. They had accepted a heavy burden. Anyone who during a period of economic recovery proposes to accumulate the government's financial reserves, is put to the task of providing evidence that voluntary moderation will lead to even better results in the future. During the fifties this was not only a thankless but also an impossible task.